

FINANCE DEPARTMENT
William R. Scollins, III (Randy)
Finance Director / Town Accountant

Overview

The Finance Department is comprised of five areas, staffed with 9 full time and 2 part-time personnel, responsible for a variety of financial and technical functions as follows:

Administration Division

The Administration Division, staffed by Finance Director / Town Accountant Randy Scollins, is responsible for day-to-day operational oversight and management of the Finance Department.

The Finance Director also provides financial and general support to, and/or served on, multiple committees over the past year including the following: Advisory Committee; Audit Committee; Board of Assessors; Board of Selectmen; Capital Improvement Planning Committee; Employee Insurance Advisory Committee; Sewer Sub-Committee; Southeastern Regional School Building Committee; Town Asset Review Committee; Town Hall Building Sub-Committee; as well as various municipal union bargaining committees.

Fiscal 2010 was a challenging year due to the ever shifting revenue picture. The Town was able to initially balance its \$54.1 million operating budget (*a \$2.9MM, or 5.6%, increase over FY 2009*) primarily due to \$2.9 million in estimated new growth taxes (*representing the second consecutive new growth tax record year for the Town*) and no new major spending or program initiatives. The increase in the budget only reflects the cost of covering FY '09 expenses and contracts in FY '10. The Town initially absorbed a \$481 thousand year-over-year decrease in State Aid with \$615 thousand in new Federal Stimulus Aid.

However, due to the continued revenue challenges at the State level, the final State Aid budget was \$249 thousand less than the estimates available at the time the Town voted its budget. Federal Stimulus Aid to the Town was also cut another \$90 thousand. Then, the Governor again made mid year State Aid reductions to the FY '10 budget which cut another \$48 thousand from the Town's planned revenues. In response to the \$387 thousand in State & Federal Aid revenue reductions and other downward revisions to estimated new growth taxes, the Municipal and School departments agreed to reduce expenses by \$537 thousand in order to achieve balance.

Another major focus was the administration of, and fiduciary guidance for, the FY 2011 budget process. (*The Town's fiscal year ends in June.*) FY '11 was an equally challenging year to continue to meet the budgetary objective of maintaining current service levels.

The final operating budget was balanced at \$56.19 million, a \$2.1 million increase over FY '10, or 3.96%. With little relief from new growth taxes (only \$300K this year) and another \$585 thousand reduction in net state aid, the Town utilized a combination of increased reliance on local receipts and free cash reserves, along with a level services guideline and no cost of living adjustments for those employee groups with expiring contracts.

These are all successful strategies the Town has used in the past to balance budgets in lean times while striving to maintain local services. It was also exactly consistent with the budgetary approach that had been articulated and followed throughout this most recent economic downturn, which was to utilize our free cash reserves judiciously in order to engineer a "soft landing". In other words, the Town would not use reserves to expand services, but only to temporarily fill revenue gaps to maintain services while waiting for the economy, and therefore state aid and new growth, to improve. This approach has been working and continues to be a key part of the balancing act for the FY 2012 budget.

As the recent experience of fiscal 2010 and 2011 continues to indicate, the unpredictability of State Aid revenue continues to be a concern. Net State Aid (gross State Aid revenues less State assessments) funds a shrinking share, now 17.5%, down from about 20%, of all General Fund budgets for the Town of Foxborough. Net State Aid in FY '11 was \$9.06 million. Fluctuations in this revenue stream have significant impacts on the Town's ability to sustain and fund services.

The Town's net State Aid peaked in FY '01 and then endured three consecutive years of substantial declines. Although net State Aid started to increase in FY '05, it has declined again for the last three consecutive years of FY '09, '10 & '11. On an inflation adjusted basis the Town has endured a net loss of over \$15 million in State revenue since FY '01. In FY '11 the Town is still \$1.2 million below the FY '01 net State Aid level on an inflation adjusted basis. These are real, substantial and sustained revenue declines with real and negative impacts on the Town's finances. Consequently, the Town continues to struggle to sustain, improve, and

in many cases, just return to prior service levels provided to the community.

The FY '11 General Fund operating budget of \$56.2 million reflects a \$1.85 million reliance on Free Cash. This is a \$409 thousand increase over FY '10, reflecting the budget balancing strategy of increased utilization. A declining reliance is more desirable, and the proposed FY '12 budget reflects a reduced reliance as we work to restore some of the flexibility provided by the Town's reserves. Also in FY '11 the Town was able to fund its General Fund capital improvement needs totaling \$865 thousand, excluding the Library renovation and expansion project, primarily from \$770 thousand in free cash and \$95 thousand from ambulance receipts, avoiding the need to borrow for basic capital needs.

Voters very generously approved increasing their taxes for a major renovation and expansion of the Town's Library at a total estimated cost of \$11.6 million, instead of opting for the \$4.2 million renovation option presented, a \$7.4 million difference. Funding for the higher cost option is to be funded via a \$7.5 million debt exclusion. The expansion aspects of the project resulted in the awarding of a state grant estimated to be worth an additional \$3.6 million, with the balance of project costs, approximately \$500K thousand, expected to be committed from Library trust funds. As of this writing, this project is not ready to be bonded with permanent financing. If bonds do not have to be issued until after July 1st of 2011, then the impact on taxpayers in FY '12 will be about half of what was planned, due to timing.

Town meeting voters also approved another major water treatment plant project, this one on Oak street, to address pesky iron and manganese issues with a total of \$7.6 million in funding. \$7 million will be bonded, and all costs will be funded by water rate payers over 20 years. This project is still in the design stage and has not been bonded as of this writing.

The Town continued, for the fourteenth straight year, to rely on taxing to the levy limit allowed under Proposition 2 ½, which added \$787 thousand in new revenue. 84.2%, or \$1.95 million, of the \$2.32 million increase to the General Fund budgets was due to increases in three departments: Debt Service = \$734 thousand; School = \$700 thousand; and Health Insurances = \$519 thousand. These increases, combined with relatively depressed State Aid levels, continue to add to the significant downward pressure on all other operating budgets.

As we finalize the FY 2012 budget we are seeing State Aid being reduced yet again as the State finds itself in the same financial bind as the rest of country. The Town continues to utilize all the tools at its disposal to attempt to maintain services.

Reserves are being utilized prudently. Energy contracts have been rebid with favorable results. Consolidation of DPW operations is planned. Local fees and fines are being increased and new ones implemented. Again, cost of living increases are not planned for several employee groups.

Despite all of these best efforts and many more, it still may not be enough to balance the FY '12 budget without either reducing services or finally using a tool that the State is asking municipalities to use to help solve their local funding challenges – the local option meals tax of 0.75%.

Assessing Division

The Assessing Division is staffed by Chief Assessor Hannelore Simonds, Assistant Assessing Officer Deborah Cochrane and Assessing Clerk Kelly Blair.

The division's primary responsibility is for real and personal property valuation which is the basis for levying the property tax. Valuations are established following state guidelines and are then certified by the Massachusetts Department of Revenue's (DOR) Bureau of Local Assessment (BLA).

The Massachusetts DOR certified the FY 2010 tax values and rates in April of 2010. There was a delay in the certification this year for several reasons, primarily due to it being a revaluation year and the Town having an unprecedented \$200 million+ in new property growth to value.

The resulting FY 2010 certified values are summarized as follows:

FY 2010 Property Values:

Residential	\$ 2,031,070,206	72.80 %
Commercial	608,528,294	21.81 %
Industrial	64,756,600	2.32 %
Personal	<u>85,431,150</u>	<u>3.06 %</u>
	<u>\$ 2,789,786,250</u>	<u>100.00 %</u>

New growth capture provided property valuation increases of \$204.5 million and an increase of \$2.2 million in new tax revenues. The FY 2010 levy limit calculation is presented below:

FY 2009 Levy Limit	\$ 28,544,643
Allowable 2.5% Increase	713,616
New Growth	<u>2,231,289</u>
FY 2010 Levy Limit	\$ 31,489,548
Add Debt Exclusions	<u>1,419,612</u>
Maximum Allowable Levy	\$ 32,909,160

Unused FY 2010 Levy	<u>\$ 17,580</u>
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Actual FY 2010 Tax Levy	<u>\$ 32,891,580</u>
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The resulting tax rate per \$1,000 in assessed value for FY 2010 was \$11.79.

The unused tax levy is solely the function of tax rates being calculated out to only two decimal places, as required by the Department of Revenue. This will almost always result in some amount less than one tenth of one percent of the maximum allowable levy being unused in a given year. As a result of the continuing funding challenges, the trend of taxing to the levy limit will likely continue.

The Board of Selectmen held the FY '10 Classification Hearing, as required annually of all municipalities by the Department of Revenue. The purpose is to vote on either a single tax rate for all classes of property or to have a "split" tax rate, i.e., a higher rate for business and a lower rate for residential. The Board of Selectmen accepted the Board of Assessors' recommendation to maintain a single tax rate. Although eight area towns have adopted a split rate, a single rate in Foxborough was deemed an important ingredient to continue to maintain and stimulate commercial development.

The support staff was busy during the year updating property records, processing deeds and permits, as well as managing the various abatement and exemption programs. The staff also manages motor vehicle excise tax administration. The perpetual re-listing of all property, required every ten years, is also ongoing.

Accounting Division

The Accounting Division, staffed by Assistant Accounting Officer Jodi Cuneo, and Accounts Payable Clerk Lorraine Donovan, continues to devote much of their effort to weekly expenditure controls. They are extremely thorough in ensuring, as per their authority, every town wide invoice is compliant with the state's strict procurement laws and that payrolls are compliant with Town contracts and by-laws. All town wide expenditure requests are processed weekly

in development of the weekly payroll and expenditure warrants.

The Assistant Accounting Officer performs multiple weekly and monthly reconciliations to ensure that the Town's general ledger and all of its funds and subsidiary ledgers are accurate, balanced and compliant with DOR requirements. The division reviews budget to actual variances, manages encumbrances and reports on all ledgers monthly. They provide regular reporting to departments and ably assist all town wide departments with many accounting matters throughout the year.

In addition to the regular and considerable accounting duties, the Assistant Accounting Officer manages town wide administration of fuel and telephone allocations, sick and vacation time tracking, worker's compensation and related annual audits, unemployment, self-insurance, off duty police and fire detail payroll, grants and betterments.

The Assistant Accounting Officer also provides exceptional budget process support by compiling, organizing, proofing, copying, and updating all budget requests and ultimately entering all approved budgets into the accounting system.

The division is required to submit many and various comprehensive financial reports throughout the year to the Department of Revenue. One critical report, Schedule A, is required in order to continue receiving the Town's State Aid and another is required to certify the Town's available funds, i.e. "Free Cash", before they can be appropriated. The division is very diligent in working to meet these time sensitive deadlines. Timely reporting support for education costs incurred in non-education budgets is also provided to the School Department for their important annual report to the Dept. of Education.

The Town has a contract with the firm of R. E. Brown & Co., a firm that audits only municipalities in Massachusetts. The Town received a clean audit opinion for FY 2009. A copy is on file for public inspection, as well as on the Town's website at www.Foxboroughma.gov on the Finance Administration page. We are currently in the process of finalizing the FY 2010 audit. Unaudited preliminary FY 2010 statements can be found in the back of this publication.

The Town Accountant issues financial statements that are compliant with Governmental Accounting Standards Board (GASB) statement No. 34 (GASB 34). This is a dramatic financial reporting change for

all state and municipal governments nationwide and continues to contribute to a delay in their annual development in Foxborough due to substantially increased reporting and complexity combined with very limited accounting staff.

This reporting model moves away from a partial accrual model to a full accrual model. A management discussion and analysis section covering GASB specified topics is also a requirement. Further, capital assets, including infrastructure assets, are now included, as well as associated depreciation.

Another major GASB pronouncement impacting all municipalities nationwide is GASB 45. The Town is required to hire an actuary to calculate the full liability associated with retiree health benefits. That liability was calculated to be \$62.2 million on a pay-as-you-go basis, or \$30.6 million if were to adopt a full pre-funding approach. The liability is amortized over 30 years. The actuarial report and executive summary materials are available on the Town's website, at www.foxboroughma.gov on the Audit Committee home page. The result will be included, on a phased in basis, in the Town's financial statements and actuarially updated every two years, at the Town's cost. The next update is slated for after fiscal year end 2011

Although the Town's unfunded actuarial liability (UAL) compares very favorably to other cities and towns, according to the actuarial consultant, the liability is real, large and should be managed prudently so as to not jeopardize the Town's excellent credit rating or its financial stability. The common benchmark used to compare the size of one town's UAL to another is the ratio of the UAL divided by the Annual Covered Payroll. The Town's ratio is 104.8% on a full pre-funded basis, 212.7% on a pay-as-you-go basis. The actuarial consultant has found the norm to be about 161% and 313%, respectively. Foxborough's favorable ratio is attributed to the less costly attributes of the Foxborough health plan, including the share of premium split and the mandatory Medicare enrollment at age 65.

The Audit Committee made several suggestions during FY '10 for the Board of Selectmen to consider in efforts to control health costs (*see the executive summary document titled "Health Plan Offering Strategies" on the Audit Committee page of the Town's website*) and that are focused on reducing the UAL. Many have been completed or are in progress, while two policy decisions are still pending with the Board. The following were completed:

- A dependent eligibility audit was successfully completed by an independent third party identifying eight ineligible dependents.
- A qualified OPEB (Other Post Employment Benefits) Trust was established at the 2010 Annual Town Meeting.
- \$1.265 million was voted into the Trust at the same ATM, with this one-time funding originating from dormant employee related insurance and benefits accounts.
- An annual OPEB prefunding approach has been established and will be implemented as part of the FY '12 budget process.
- The Town made a successful transition to a lower cost health group – MIIA (Massachusetts Interlocal Insurance Association).
- The Police union has agreed to increased co-pays, setting the stage for other bargaining units to follow suit.
- Other more cost efficient health insurance options are being actively explored that have higher co-pays and deductibles, but lower premiums.

Revenue Division

The Revenue Division is led by Treasurer / Collector Lisa Sinkus and is staffed by Assistant Revenue Officer Paula Maloney, full-time clerk Jessica Minton and part-time clerk Emily Johnson.

The division is responsible for management and oversight of the Town's cash, debt, billing and collections, vendor payments, as well as Town wide benefits administration and payroll.

The Revenue Division relies on automation in order to manage an increasing workload within its reduced staffing. The division continues to work hard at leveraging all low to no cost automation options across its operations.

Specifically, the on-line payment option for motor vehicle excise tax, real estate and personal property tax, and semi-annual trash fees continues to be offered through the Town's website www.foxboroughma.gov. Although it is being used successfully by many, to be frank, we are disappointed by the low level of utilization. It is a safe and convenient way to pay these bills via a bank debit. There is no cost to use this service. One can even set the date they want the payment to be deducted from their bank account and avoid any risk of having a late payment. However, for those that pay these bills electronically, the vast majority use their own bank's online check service. When doing

this, because the remittance is not sent when paying like that, our lock-box service can't process the payment and that results in higher processing costs and more labor intensive work for this office. More frustrating for the bill payer is that many will not send their payment until too close to the due date, and due to the bill payers' bank's slow processing and the very manual nature of processing these payments once received, the bill payer can be subject to late fees and interest. So we strongly urge electronic bill payers to use the free, safe, convenient and very efficient on-line bill payment service available through the Town's website.

The Collector's office is gearing up for a major change to its operations starting in June of 2011 – the change from semi-annual property tax billing to quarterly tax billing. Town meeting adopted this change at the May 2010 Annual Town Meeting and Foxborough now joins the overwhelming majority of cities and towns in the state.

The primary reason for making this change is to allow the Assessing office adequate time to properly prepare all property valuations in a timely and efficient manner. Given that the Town adopted a state statute allowing the capture of new property value growth through June 30 of the preceding tax year, coupled with the deadline of mid-August to have all property values certified in order to meet the semi-annual deadline of committing tax, it is just an impractical schedule to manage. By changing to quarterly billing, the Assessors' office has three more months to finalize property values for certification. This more civilized schedule is one that most other communities adopted long ago due to the unworkable nature of the semi-annual statutory deadlines.

The Collector's office will be providing more information in the coming weeks and months prior to, and after, the first quarter bill is mailed in late June. One just need remember that there will be four payments in the course of the year instead of two and that the first two (*billed in the 1st mailing*) will be estimates, and the last two (*billed in the 2nd mailing*) will reflect an adjustment based on the certified value of one's property. Please pay close attention to your tax bill, as it will look different, and to the informational inserts accompanying your bill.

Beginning in May of 2011, the Revenue office has volunteered to absorb the work of managing passport applications for residents. The Town Clerk's office was notified that, as an issuer of Birth Certificates, under federal law, that office will no longer be allowed to also manage passport applications due to a

new national security law. Retaining this service at Town Hall will result in retaining ~\$7,000 in annual passport fee revenue.

The Collector continues to utilize deputy collector (for delinquent taxes) Kelley & Ryan. Kelley & Ryan is the dominant deputy collector for Massachusetts municipalities. They have direct links with the Registry of Motor Vehicles database and have offices in many of the remaining Registry's branches. Their significant investment in internet technology, accessible by the Town, has streamlined the process of resolving and ultimately collecting delinquent Motor Vehicle Excise taxes.

The Town had a major bond offering at the beginning of FY '10. 20 year bonds were issued for \$10.4 million for its share of the High School Renovation project in August of 2009, at the very favorable rate of 3.35%.

The Town's credit rating was upgraded two notches from Aa3 under Moody's rating system to AA+ under Standard and Poors'. This office decided to seek a rating from an agency that had not rated the Town before in order to have a fresh set of eyes analyze the Town's financial condition. The Town was in a particularly strong position at the time of the rating with its reserve balances and growing commercial tax base. We anticipated that an upgrade was warranted. The higher rating resulted in hundreds of thousands of dollars in interest costs being saved on the High School bonds.

The AA+ is an elite rating shared by only about 13 Massachusetts communities at the time. At the time only 13 other communities had the highest AAA rating. That higher rating will remain elusive for Foxborough as there are socioeconomic factors that play a large part in achieving the highest rating.

"AAA" ratings are termed "Superior". "AA" ratings are termed "Excellent". "A" ratings are termed "Upper Medium", and "Baa" ratings are termed "Medium". Ratings below this are not investment grade. Numbers from 1 to 3, or the signs "+" or "-", attached to the rating are sub-levels within the rating, with "1" and "+" being the highest.

Total general treasury activity for FY 2010, capturing the flow of all Town funds, including payroll, expenses, grants, federal and state aid, bond proceeds and payments, and trust fund activity is summarized as follows:

Balance as of 06/30/09	\$ 20,347,857
Gross Receipts	77,741,458
Gross Disbursements	<u>(70,927,555)</u>
Balance as of 06/30/10	<u>\$ 27,161,760</u>

FY 2010 investment earnings on cash balances declined again as interest rates continued to remain at very low levels. Mindful of the turmoil in the banking industry, the Treasurer continues to be extremely diligent in ensuring that all deposits are in the strongest and highest rated banks, consistent with the higher priorities of all treasurers - safety and liquidity. Given the extra risk seen in the banking industry over the last couple of years, the Town has gravitated towards collateralized deposit agreements.

Foxborough's property tax collection performance declined again, by 63 basis points, or \$229 thousand in FY 2010. 2.37%, or \$778.3 thousand, of property taxes were outstanding at fiscal year end. Unfortunately, tax liens and foreclosure on prior year's balances have also increased again by \$41 thousand in FY '10, reflecting the continued difficulties experienced by Foxborough property owners. This increase in tax liens follows a \$99 thousand increase in these accounts in FY '09. Unfortunately, increases in the Town's tax receivables balances results in a dollar for dollar reduction in the Town's free cash certification.

The Treasurer awaits the final recommendations of the Town Asset Review Committee (TARC) regarding a public auction or sale of tax possession properties. The TARC is reviewing these parcels along with all other Town owned parcels. The Treasurer has provided information regarding all tax possession parcels with the understanding that the TARC is preparing to put these parcels back onto the tax roles, where they were originally, as well as provide needed one-time funding for one-time Town needs.

Information Services Division

The Information Services Division is responsible for all hardware and application software in use at the Town Hall and other municipal buildings and is under the leadership of I.S. Director Paul Bortolotti. Although the municipal information systems were significantly stabilized under the newly centralized I.S. model in 2009, the I.S. team has been ably managing system improvements throughout the year in addition to providing critical day-to-day support to municipal employees in the use and maintenance of their information systems.

The improvements this year include: monthly electronic delivery of Registry of Deeds records to the Assessors office; establishment of a networked training environment leveraging the Council on Aging computer lab; an upgrade of the GEOTMS permitting and licensing application; and establishing robust back-up processes for the Town's data servers.

Our newly redesigned Town of Foxborough website received the highest award given by Common Cause, the eGovernment Award with Distinction, in its first year of operation. Our web address is www.foxboroughma.gov.

This site is designed to deliver a much higher level of service to the entire community and we encourage all to visit often to take advantage of the exciting features offered, such as meeting calendars, opt-in email updates when new content is published, meeting minutes, departmental forms and information, pages for every Town department and every Town board and committee, and a non-profit community groups portal. We have continued to add content through out the year to make the site quite useful, including: zoning and general bylaws; on-line payments; departmental budgets; and so much more. Be sure to visit at least once, you're sure to be back.

In Summary

The Foxborough Finance Department is proud to deliver the level of services it does with the resources provided. The department is committed to providing quality service to our customers and tax payers every day. We welcome public comments, questions and constructive feedback.

Thank you to the entire Finance team, veteran and new member alike, for your continued efforts and dedication throughout the year.